

CIVIL ACTION NO. 5:15-CV-200-FL

Defendant.

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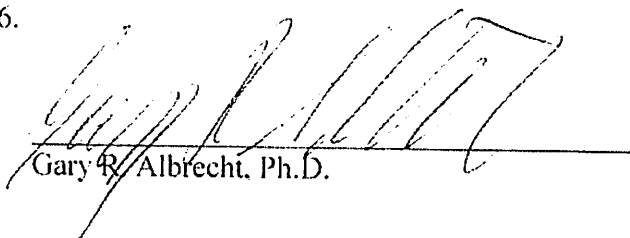
value of a replacement medical insurance policy. If available, we use the COBRA cost that the worker is offered...").

4. The present value calculations in my report are standard in forensic economics. See "A Review of the Economic Foundations of Earnings and Discounting Theories Used in Forensic Economics." (with Kurt V. Krueger) *The Earnings Analyst*, Volume IX, Spring 2007, pp. 1-34; "On the Derivation and Consistent Use of Growth and Discount Rates for Future Earnings." (with John C. Moorhouse), *Journal of Forensic Economics*, Volume 2, No. 3, August, 1989, pp. 95-102.

5. The use of a real interest rate in discounting future amounts is also standard in forensic economics and has been regularly accepted by the courts. See, e.g., *Jones & Laughlin Steel Corp. v. Pfeifer*, 462 U.S. 523, 548-49, 103 S.Ct. 2541, 76 L.Ed.2d 768 (1983) (suggesting that it is appropriate to use a real interest rate, as is done here, when discounting future amounts). The use of a real interest rate negates the need to forecast inflation.

I declare under penalty of perjury that the foregoing is true and correct.

This the 16 day of February, 2016.



Gary R. Albrecht, Ph.D.

CERTIFICATE OF SERVICE

I hereby certify that on February 16, 2016, I electronically filed the foregoing **AFFIDAVIT OF GARY R. ALBRECHT, Ph.D.** with the Clerk of Court using the CM/ECF system, which will send notification of such filing to the following:

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Counsel for Defendant

This the 16th day of February, 2016.

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PRESENT VALUE OF INSURANCE
Carl Tutor

Prepared at the Request of

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Prepared by

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1817 Georgia Ave.
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December 3, 2015



PRESENT VALUE OF INSURANCE
Carl Tutor

Summary:

Mr. Tutor retired from working for the Town of Fuquay-Varina. When employed by the town Mr. Tutor received health insurance. I have calculated the present value of the insurance for the time period from Mr. Tutor's retirement to his age of 65. The present value of the insurance over that time period is **\$65,456**. This is the amount Mr. Tutor has paid and would have to pay to purchase insurance that the Town of Fuquay-Varina had provided but discontinued providing. (Due to rounding to the nearest dollar the sum of the amounts in each column may not equal the sum of the components shown throughout this report.)

Information Relied Upon:

CPI Detailed Report from the Bureau of Labor Statistics;

Table reporting the amount of Mr. Tutor's COBRA payments; and,

Interest Rates on Treasury Inflation Protected Securities as reported by the Board of Governors of the Federal Reserve System.

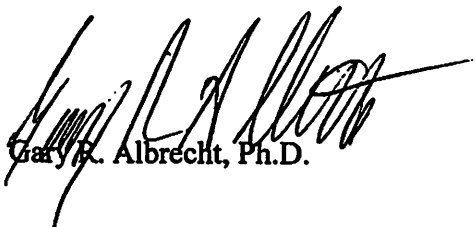
Present Value of Insurance:

I have used the COBRA payments to place a value on the insurance that Mr. Tutor received while employed. In the attached table the amounts \$3,849 and \$4,074 are the amounts that Mr. Tutor actually paid to continue his insurance. The amounts in the same column in the section *Present Value of Amount to Continue* represent the amounts that would have been paid to continue with the insurance. The amounts are reported in real dollars (no increase due to inflation).

The *Interest (Discount) Factor* provided the present value calculation factor. The historical rate use is 8 percent. The real interest rate used is 0.64 percent. The interest rate is reported by the Board of Governors of the Federal Reserve System.

The total present value of the insurance is **\$65,456**.

The calculations may change if additional information becomes available. Please do not hesitate to contact me if you have any questions.


Gary R. Albrecht, Ph.D.

Present Value of Amount Paid

Age	Amount for Self (No Future Inflation)	Interest (Discount) Factor	Present Value Amount for Self
53	3,849	1.12000	4,311
54	4,074	1.08000	4,399
	<u>7,923</u>		<u>8,711</u>

Present Value of Amount to Continue

54	1,407	1.08000	1,519
55	5,627	1.04000	5,852
56	5,627	1.00000	5,627
57	5,627	0.99364	5,591
58	5,627	0.98732	5,556
59	5,627	0.98104	5,520
60	5,627	0.97480	5,485
61	5,627	0.96861	5,450
62	5,627	0.96245	5,416
63	5,627	0.95633	5,381
64	5,627	0.95024	5,347
	<u>57,677</u>		<u>56,745</u>

65,456
